Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 LONDON 04952 01 OF 02 291731Z
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AID-05 CIAE-00 EB-08
FRB-01 INR-10 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-02 /126 W
----------024617 291747Z /50
P R 291720Z MAR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 4630
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION GENEVA
USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 04952

USEEC ALSO FOR EMBASSY
USOECD ALSO FOR EMBASSY
USMTN

DEPARTMENT PASS FEDERAL RESERVE BOARD; TREASURY FOR
DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: ECONOMIC DEVELOPMENTS FOR PERIOD MAR. 22-29

SUMMARY: THIS WEEK HAS BEEN QUIET IN LONDON. THE GOV-
ERNMENT PUBLISHED LITTLE, AND THE MARKETS WERE CLOSED
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PAGE 02 LONDON 04952 01 OF 02 291731Z

FRIDAY AND MONDAY FOR EASTER. TRADING IN FOREIGN EX-
CHANGE AND FINANCIAL MARKETS WAS LIGHT AND PRICES MOVED
CONSIDERABLY. THE GOVERNMENT ANNOUNCED THAT $100 MIL-
LION IN FOREIGN CURRENCY DEBT WOULD BE REPAID EARLY.
END SUMMARY.

1. THE POST OFFICE ANNOUNCED TUESDAY THAT IT WILL PREPAY

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

A $100 MILLION LOAN FROM THE CHASE MANHATTAN BANK. THE LOAN WAS ORIGINALLY INTENDED TO BE REPAYED IN TWO SUMS: $50 MILLION ON OCTOBER 1, 1979 AND $50 MILLION ON OCTOBER 2, 1981. IT IS ESTIMATED THAT EARLY REPAYMENT WILL SAVE AROUND 15.7 MILLION POUNDS IN INTEREST. THIS APPEARS TO CONTINUE THE GOVERNMENT'S POLICY OF REDUCING THE FOREIGN CURRENCY INDEBTEDNESS OF THE PUBLIC SECTOR.

2. THE LONG-AWAITED WHITE PAPER ON THE USES OF NORTH SEA OIL REVENUE APPEARED, BUT PROVIDED LITTLE ADDITIONAL INFORMATION ON GOVERNMENT POLICY. (SEE LONDON 4598.)

3. STERLING MOVED SHARPLY IN THIN TRADING OVER THIS WEEK. ON THURSDAY THE POUND FELL 2.45 CENTS OR 0.9 POINTS IN ITS TRADE-WEIGHTED INDEX. MARKET SOURCES INDICATE THAT THE BANK OF ENGLAND HOWEVER LENT SUFFICIENT SUPPORT TO STERLING TO TAKE THE STEAM FROM THE SELLING PRESSURE DURING TUESDAY MORNING AND STERLING APPEARED TO BE HOLDING ITS NEW LEVEL WELL ON WEDNESDAY. ONE DEALER COMMENTED THAT SUCH A SHARP FALL WAS NOT UNEXPECTED. HE FELT THAT STERLING HAD BEEN SHELTERED BY A WEAK DOLLAR SINCE EARLY IN THE YEAR, AND, AS A CONSEQUENCE, PRE-EASTER SENTIMENT FAVORING THE DOLLAR LED PEOPLE TO SHIFT OUT OF POUNDS.

4. TRADING IN GILTS HAS BEEN LIGHT THIS WEEK AND ESPECIALLY SENSITIVE TO INDIVIDUAL (IN SOME CASES CONTINENTAL)
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SALES. THE SENSITIVITY IS ATTRIBUTED BY ONE MARKET SOURCE TO THE POUND'S DIFFICULTIES IN THE FOREIGN EXCHANGE MARKETS AND GENERAL APPREHENSION OVER THE APRIL 11 BUDGET MESSAGE.

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UNCLAS SECTION 02 OF 02 LONDON 04952

5. EXCHANGE RATE AND GOLD

DATE	EXCHANGE RATE ($)	EFFECTIVE EXCHANGE RATE (DEC. 1971 EQUALS 100)	GOLD ($)
3/22	1.8980	63.8	180-3/8
3/23	1.8735	62.9	179-3/8
3/24	LONDON MARKETS CLOSED		
3/27	LONDON MARKETS CLOSED		
3/28	1.8830	62.9	183-3/8
CHANGE 3/21-3/28	DOWN 0.0140	DOWN 1.0	UP 6

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PAGE 02 LONDON 04952 02 OF 02 291736Z

6. FORWARD PREMIUM ON STERLING

DATE	1 MONTH	3 MONTHS	6 MONTHS
3/22	0.08	0.00	- 0.08
3/23	0.05	- 0.05	- 0.22
3/24	LONDON MARKETS CLOSED		
3/27	LONDON MARKETS CLOSED		
3/28	0.07	0.02	- 0.10
CHANGE 3/21-3/28	UP 0.09	UP 0.09	DOWN 0.07

(ALL FIGURES IN CENTS)

7. EURODOLLAR INTEREST RATES

DATE	1 MONTH	3 MONTHS	6 MONTHS
3/22	7-3/8	7-1/4	7-1/2
3/23	7-3/8	7-1/4	7-5/8

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

3/24 LONDON MARKETS CLOSED
3/27 LONDON MARKETS CLOSED
3/28 7-5/8 7-5/8 7-3/4
CHANGE 3/21-3/28 UP 5/8 UP 1/4 UP 1/8

8. THREE-MONTH LONDON INTERBANK - EURODOLLAR INTEREST RATE DIFFERENTIAL
DATE
3/22 - 5/8
3/23 - 9/16
3/24 LONDON MARKETS CLOSED
3/27 LONDON MARKETS CLOSED
3/28 - 7/8
CHANGE 3/21-3/28 DOWN 1/8

9. STERLING CERTIFICATES OF DEPOSIT
DATE 1 MONTH 3 MONTHS 6 MONTHS
3/22 6-13/32 6-9/16 6-25/32
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PAGE 03 LONDON 04952 02 OF 02 291736Z

3/23 6-13/32 6-9/16 6-13/16
3/24 LONDON MARKETS CLOSED
3/27 LONDON MARKETS CLOSED
3/28 6-13/32 6-5/8 6-15/16
CHANGE 3/21-3/28 DOWN 1/32 UP 1/16 UP 1/8

10. INTERPOLATED REDEMPTION YIELDS OF HIGH COUPON GOVERNMENT SECURITIES
DATE 5 YEARS 15 YEARS 25 YEARS
3/22 9.96 11.75 12.06
3/23 9.99 11.80 12.09
3/24 LONDON MARKETS CLOSED
3/27 LONDON MARKETS CLOSED
3/28 10.18 11.91 12.19
CHANGE 3/21-3/28 UP 0.20 UP 0.13 UP 0.12

11. THE MINIMUM LENDING RATE REMAINED 6-1/2 PERCENT AFTER THE WEEKLY TREASURY BILL AUCTION WHICH, IN THE LIGHT OF FRIDAY'S MARKET CLOSING, WAS HELD ON THURSDAY. THE AVERAGE TREASURY BILL RATE ROSE 0.1327 PERCENT TO 5.9332 PERCENT AS 1,049.46 MILLION POUNDS IN BIDS WERE RECEIVED FOR THE 600 MILLION POUNDS IN BILLS TENDERED. THIS WEEK 600 MILLION POUNDS IN BILLS WILL BE OFFERED AS A SIMILAR AMOUNT MATURE.

BREWSTER

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Message Attributes

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Draft Date: 29 mar 1978
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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